

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BONN

UNCLAS STATE 271011

E.O. 11652: N/A

TAGS: OGEN, GW

SUBJECT: OPRED - APPROVAL OF IRS POSITION FOR BONN

REFERENCE: BONN 18894, 9660

1. APPROVAL OF FOURTH IRS OFFICER POSITION FOR BONN WAS GRANTED MAY 24, 1974. DEPARTMENT REGRETS THAT THROUGH AN OVERSIGHT EMBASSY WAS NOT INFORMED AT THAT TIME.

2. IN APPROVING THE ADDITIONAL IRS OFFICER POSITION, DEPARTMENT DID TAKE INTO ACCOUNT EMBASSY'S COMMENTS RELATIVE TO IRS'S PRACTICE OF TDY ASSIGNMENTS OF TAX AUDITORS TO GERMANY AND QUERIED IRS WHETHER SUCH ASSIGNMENTS COULD BE REDUCED BY THE INCREASE IN PERMANENT STAFF IN BONN. IRS REPLIED THAT TDY TAX AUDITORS WOULD STILL BE NEEDED BECAUSE THEY PERFORM SOMEWHAT DIFFERENT FUNCTIONS THAN DO IRS PERSONNEL PERMANENTLY ASSIGNED ABROAD. IRS'S DETAILED EXPLANATION TO THE DEPARTMENT IS QUOTED FOR YOUR INFORMATION:

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QUOTE WITH LIMITED EXCEPTIONS, IRS PERSONNEL SENT

OVERSEAS ON TEMPORARY DUTY ("TDY") PERFORM BASICALLY DIFFERENT FUNCTIONS THAN FOREIGN POST PERSONNEL (RSRS AND ASSISTANT RSRS). THE FORMER ARE INVOLVED IN AUDIT ACTIVITY AND, TO A LESSER EXTENT, TAXPAYER ASSISTANCE,

COLLECTION AND INTELLIGENCE WORK, WHILE POST PERSONNEL HAVE A SEPARATE AND BROADER RANGE OF DUTIES. SOME OF THESE INCLUDE: IDENTIFYING AREAS AND TECHNIQUES OF TAX AVOIDANCE THROUGH GOVERNMENTAL AND PRIVATE CONTACTS; DEVELOPING COOPERATIVE CONTACTS WITH FOREIGN TAX AGENCIES, WITH USEFUL EXCHANGES OF TAX INFORMATION; ASSISTING U.S. TAXPAYERS WITH FOREIGN TAX PROBLEMS AND HELPING RESOLVE COMPLEX INTERNATIONAL TAX ISSUES ARISING UNDER TAX TREATIES WITH FOREIGN COUNTRIES; CONDUCTING SURVEYS AND STUDIES, WITH RESULTING RECOMMENDATIONS FOR USE IN DEVELOPING NEW ADMINISTRATIVE PROGRAMS AND CHANGES IN TAX TREATIES, LAWS AND REGULATIONS; PROVIDING SUPERVISION AND GUIDANCE TO TDY PERSONNEL, INCLUDING TAXPAYER ASSISTORS SENT OVERSEAS DURING THE FILING SEASON; PROVIDING DIRECT TAXPAYER ASSISTANCE AFTER THE FILING SEASON; AND PUBLICIZING THE SERVICE'S PRESENCE THROUGH ARTICLES AND NOTICES, APPEARANCES AND SPEECHES AT VARIOUS GROUP FUNCTIONS, ETC.

TO DISCHARGE THEIR MISSION EFFECTIVELY, FOREIGN POST PERSONNEL MUST BE THOROUGHLY TRAINED AND EXPERIENCED IN THE APPLICATION OF U.S. TAX LAWS, MUST BE FAMILIAR WITH THE PROVISIONS OF TAX TREATIES WHICH APPLY IN THEIR POST AREAS, AND SHOULD HAVE SOME KNOWLEDGE OF THE TAX SYSTEMS OF THE COUNTRIES WITHIN THE POST AREA. THEY MUST BE FULLY VERSED IN IRS AUDIT, COLLECTION, TAX ASSISTANCE AND INTELLIGENCE PROCEDURES. TO ACQUIRE THESE QUALIFICATIONS, THEY NEED A MINIMUM OF FIVE YEARS AND PREFERABLY SEVEN OR EIGHT YEARS OF COMPREHENSIVE IRS EXPERIENCE. IN ADDITION, THEY RECEIVE UP TO A YEAR OF FORMAL TRAINING AND INDOCTRINATION IN THE DIFFERENT PHASES OF FOREIGN POST OPERATIONS.

IN SUMMARY, POST PERSONNEL PERFORM A SET OF BROAD,
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INFORMATION GATHERING, TAX ADMINISTRATION, QUASI-DIPLOMATIC, AND PUBLICITY FUNCTIONS, WHILE TDY PERSONNEL ARE ENGAGED ALMOST EXCLUSIVELY IN THE TECHNICAL, TAXPAYER CONTACT ASPECTS OF IRS COMPLIANCE ACTIVITY. TDY PERSONNEL ARE TRAINED AS SPECIALISTS, TO PERFORM A RELATIVELY NARROW GAUGE FUNCTION. WHILE POST PERSONNEL NEED A THOROUGH TECHNICAL PROFICIENCY, THEY MUST ALSO DEVELOP, THROUGH INSTRUCTION AND EXPERIENCE, A

CONSIDERABLY WIDER RANGE OF GENERALIST SKILLS IN THE AREAS PREVIOUSLY MENTIONED. ORDINARILY, THERE IS LITTLE OVERLAPPING OF RESPONSIBILITIES BETWEEN POST AND TDY PERSONNEL. TOGETHER, BOTH GROUPS ACCOMPLISH ASSIGNMENTS WHICH ARE ESSENTIAL IN IMPROVING VOLUNTARY

COMPLIANCE BY TAXPAYERS, IN PROVIDING VARIOUS KINDS OF ASSISTANCE TO TAXPAYERS AND IN MAINTAINING COOPERATIVE TIES WITH FOREIGN TAX AUTHORITIES.

SEVERAL FEATURES OF OVERSEAS TDY ACTIVITY SHOULD BE EMPHASIZED. FIRST, TDY PERSONNEL ARE ASSIGNED TO AN ENTIRE POST AREA -- NOT MERELY THE CENTRAL POST CITY -- WITH INSTRUCTIONS TO COVER AS MUCH OF THE AREA AS POSSIBLE. SECOND, TDY AUDITS COMPRISE LESS THAN 15 PER CENT OF TOTAL IRS AUDITS INVOLVING TAXPAYERS OVERSEAS; MOST AUDITS ARE STILL HANDLED BY CORRESPONDENCE FROM WASHINGTON. OVERSEAS AUDITS ARE NEEDED BECAUSE OF SPECIAL CIRCUMSTANCES: E.G., THE COMPLEXITY OF ISSUES INVOLVED, CALLING FOR DIRECT CONTACT WITH THE TAXPAYER; THE NEED TO EXAMINE VOLUMINOUS BUSINESS BOOKS AND RECORDS; THE INADEQUACY OF AUDIT BY CORRESPONDENCE IN UNCOVERING TAX EVASION. THE BULK OF THE TDY PROGRAM IS CONDUCTED BY REVENUE AGENTS, WHO VISIT THE TAXPAYER'S PLACE OF BUSINESS OR RESIDENCE, AND OFFICE AUDITORS, WHO INTERVIEW TAXPAYERS AT A CENTRAL OFFICE. COLLECTION ACTIVITY IS HANDLED BY REVENUE OFFICERS AND IS LIMITED IN COMPARISON; IN NO INSTANCE TO DATE HAVE THEIR ASSIGNMENTS EXCEEDED 60 DAYS WITHIN A SIX-MONTH PERIOD. IT SHOULD ALSO BE POINTED OUT THAT THE TDY PROGRAM MAKES AN ON-SITE APPEALS PROCEDURE AVAILABLE TO TAXPAYERS OVERSEAS.

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THE TDY PROGRAM IS IMPROVING CONSIDERABLY IN FLEXIBILITY OF APPROACH AND ADAPTABILITY TO LOCAL NEEDS. IN PART, THIS IS THE RESULT OF EXPERIENCE; IN PART, THE RECENT UTILIZATION OF COMPUTER CLASSIFICATION TECHNIQUES AT INTERNAL REVENUE SERVICE CENTERS TO IDENTIFY NUMBER OF TAXPAYERS, TYPES OF RETURNS, ETC. IN RELATION TO EACH POST AREA. AT ONE POINT, THE TEMPORARY ASSIGNMENT OF A REVENUE AGENT AND OFFICE AUDITOR "TEAM" TO A POST AREA WAS STANDARD PROCEDURE. HOWEVER, EXPERIENCE PROVED THAT WORKLOADS AND THE TYPE OF ACTIVITY NEEDED VARIED FROM POST TO POST, AND ALSO WITHIN A SINGLE POST AREA OVER A PERIOD OF TIME. DURING PAST PERIODS, FOR EXAMPLE, THE BONN AND TOKYO POSTS WERE EACH ASSIGNED A GS-13 REVENUE AGENT AND GS-9 OR 11 AUDITOR. SUBSEQUENT EXPERIENCE DEMONSTRATED THAT THE THEN

CURRENT AUDIT NEEDS COULD BE ADEQUATELY HANDLED BY TWO AUDITORS.

UNDER PRESENT POLICY, TDY ASSIGNMENTS WILL BE BASED ON LOCAL NEEDS, AS DETERMINED FROM COMPUTER ANALYSIS OF RETURNS TOGETHER WITH ON-THE-SPOT REPORTS

FROM RSRS AND TDY PERSONNEL. WHEN SUCH NEEDS CHANGE, OR ARE SATISFIED, ASSIGNMENTS HAVE ALREADY CHANGED AND WILL CONTINUE TO CHANGE ACCORDINGLY; THAT IS, TDY PERSONNEL WILL BE DECREASED OR INCREASED AS THE SIZE AND NATURE OF CURRENT WORKLOADS IN THE VARIOUS POST AREAS ARE PERIODICALLY REDETERMINED. MOREOVER, USE OF TDY PERSONNEL WILL BE DISCONTINUED FOR SUBSTANTIAL PERIODS OF TIME AT PARTICULAR POSTS WHEN JUSTIFIED BY REDUCTIONS IN WORKLOAD. THUS, A POST AREA WHICH MIGHT NEED TWO AGENTS DURING A GIVEN SIX-MONTH PERIOD, MIGHT NEED NO TDY PERSONNEL FOR A SUBSEQUENT PERIOD OF SIX MONTHS, A YEAR OR LONGER. USE OF TDY PERSONNEL WITH REFERENCE TO CERTAIN TYPES OF WORK WILL BE ELIMINATED ALTOGETHER, WHEN FEASIBLE. THIS HAS ALREADY OCCURRED IN THE CASE OF THE MEXICO CITY POST, WHERE IT WAS DETERMINED THAT CERTAIN COMPLIANCE INFORMATION COULD BE OBTAINED BY CORRESPONDENCE, WITH A RESULTING SAVING OF THREE-FOURTHS OF A MAN-YEAR IN USE OF TDY PERSONNEL.

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3. DEPARTMENT HOPES THAT THIS EXPLANATION EXPLAINS MORE FULLY THE USE OF IRS TDY PERSONNEL ABROAD AND REGRETS THAT THIS INFORMATION WAS NOT FURNISHED TO YOU EARLIER. INGERSOLL

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